ONTARIO INTERNATIONAL CORPORATION

ANNUAL REPORT 1984-85

86-03384/

MESSAGE FROM THE CHAIRMAN

It is my pleasure to present the 1984/85 Annual Report of the **Ontario International Corporation** to the Government and people of this province.

Following the merger of OIC and OESC, the new Ontario International Corporation now consists of two divisions: a capital projects division and an educational and training services division.

Our success is measured by sales and the number of jobs created in the province when Ontario firms secure international contracts with the assistance of OIC.

I am particularly proud of Ontario's achievements during the past year. We exceeded our export target. Our clients secured an impressive $70 million in international contracts with a corresponding increase in new employment.

The international marketplace presents a great challenge. We believe that with renewed and even greater efforts on OIC's part we can help increase Ontario's share of this market thereby creating more jobs for the people of Ontario.

J.A. Young
Chairman of the Board

THE PRESIDENT'S REPORT

THE CORPORATION'S MANDATE

Ontario International Corporation has three primary objectives all of which will result in jobs for Ontario:

- To help Ontario's private sector sell its consulting expertise, capital project capability and training services in the world marketplace;
- To promote the marketing of Ontario's public sector expertise in conjunction with private sector ventures internationally; and
- To provide an Ontario government presence in support of international capital projects, and exports of services, goods and training.

OIC CLIENTS

OIC's staff of technical consultants and education experts work closely with Ontario clients to help develop new or existing markets for their services overseas.

OIC client groups include:

- Consulting Engineers
- Architects
- Contractors
- Management and Specialist Consultants (e.g. environmental consultants, healthcare experts)
- Planners and Project Managers
- Capital Equipment Suppliers
- Trainers
- Colleges and Universities

OIC SERVICES/PROGRAMS

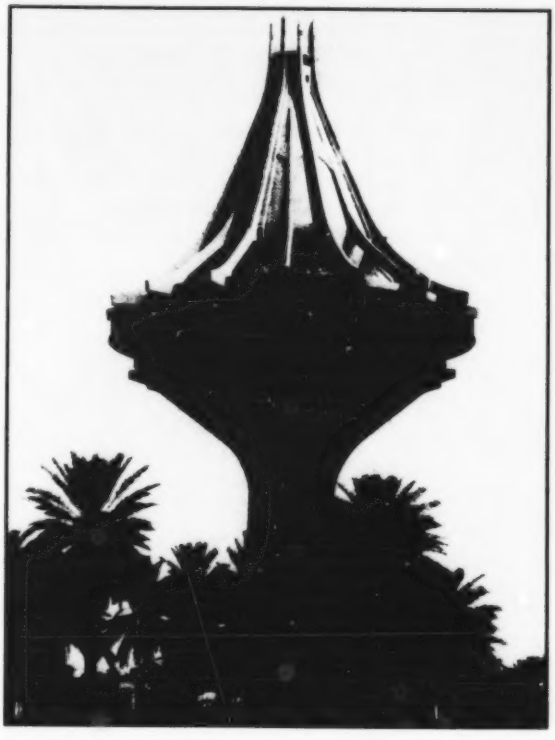
In addition to advisory and consulting services, OIC offers the following six programs to assist clients at all stages of market and project development, from "early alert" on emerging opportunities through the stages of pre-qualification, proposal development, financing and contract negotiation.

1. Client Market Development Trips

This program is designed to enable clients to pursue specific foreign projects which the firms have identified and which require on-site presence to initiate action.

Assistance typically is given in the form of return airfares which represent a portion of the travel costs.

In 1984/85 OIC sponsored a total of 40 client market development trips carried out by 33 Ontario companies and agencies to 28 different countries. These missions helped 21 clients bring home contracts worth $70 million in projects and services.



2. Staff Business Development

Corporation staff travel to the countries identified as priority markets in the Business Plan in order to develop contacts, pursue identified project opportunities and to solidify relations at a government-to-government level. We also accompany Ontario firms pursuing specific projects to provide evidence of government involvement and support. In 1984/85, 15 missions were led by OIC staff to 23 different countries.

3. Incoming Delegations

An invitation to visit Ontario, tour facilities, meet with firms and see our expertise in operation can maximize the possibility of obtaining a contract. It can move a firm from the shortlist to the top of the list.

OIC can help arrange visits in several ways. Influential officials in key countries may be invited in order to increase their awareness of Ontario's capabilities in a particular field such as education, agriculture or environmental management. Invitations can also be extended to decision makers on specific projects which Ontario firms are pursuing.

In 1984/85, OIC hosted 37 delegations from 30 different countries.

4. Seminars

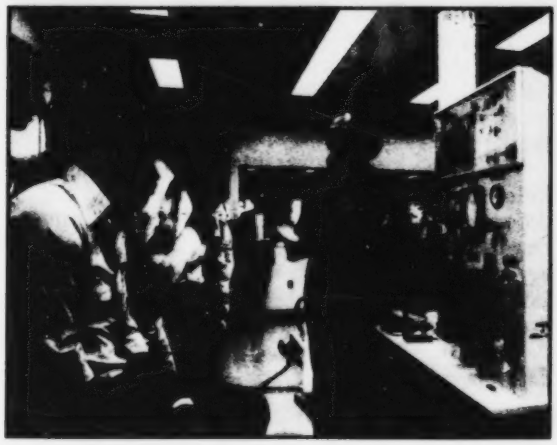
Seminars are used by OIC as a means of informing our client groups on a general basis or individual client groups on specific issues such as government assistance programs, international business techniques, market potential in geographic areas or the complexities of project financing.

One seminar was held in 1984-85 on the topic of "Accessing Government Expertise". Representatives of eight Ontario ministries made presentations to an audience of 185 business representatives from OIC client groups on the expertise within the provincial government that could be accessed or drawn upon.

5. Export Success Fund

The Export Success Fund can provide loans to OIC clients for the development of pre-feasibility and feasibility studies, for proposal preparation and for bid and performance bonds on a cost-sharing basis.

The fund is designed for needs which fall outside the parameters of the federal government's Program for Export Market Development (PEMD). In fact, a refusal by PEMD is a prerequisite for assistance from the Export Success Fund to ensure that there is no funding duplication.



6. Consortium Formation

OIC can help several firms form a consortium in order to improve their capability of competing internationally, while at the same time sharing market development costs.

Examples of types of consortia which have been formed with OIC assistance include:

- An integrated group of project consultants, engineers, architects, contractors and management consultants with turnkey capabilities,
- Consulting engineers with similar capabilities, whose firms are too small to export on their own. Joining forces, they can assemble the technical depth and resources needed to pursue small to medium-sized projects internationally; and
- Capital equipment manufacturers, who collectively can put together a complete package of components for all or a portion of the equipment needed for a project.

Assistance is provided on a cost-sharing basis to produce promotional material which identifies the consortium and describes the services it can offer.

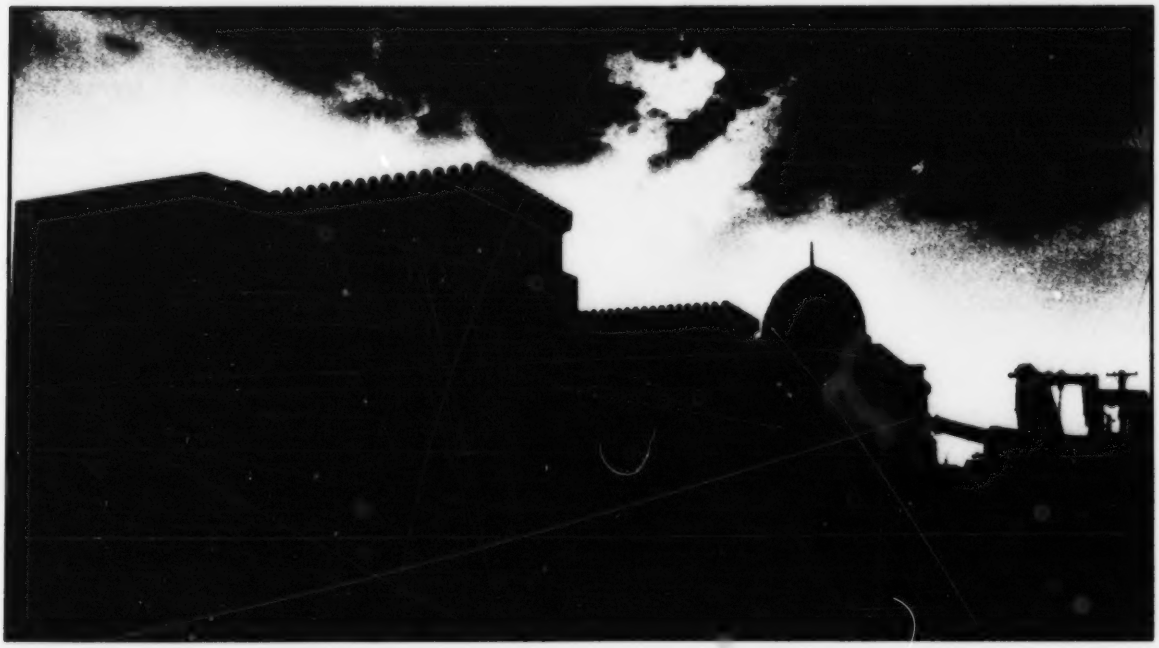
In 1984/85, assistance was provided to 2 new and 4 operating consortia involving 15 Ontario companies.

WHAT WE HAVE ACCOMPLISHED

OIC measures its performance by the success its clients achieve internationally with some form of assistance from OIC.

In the past fiscal year alone, 21 projects were awarded to Ontario firms which will generate an estimated $70 million in fees and product sales. The following are examples of the broad range of contracts achieved by Ontario firms in 1984/85 with the assistance of OIC.

France:	Paris Opera House design
Colombia:	hydro-electric project
Venezuela:	I-Beam construction facility
Barbados:	pre-fabricated housing
Ecuador:	water supply system
Indonesia:	vocational education study
	educational equipment procurement
Kuwait:	Science Circus
Bahrain:	faculty recruitment
	defence force training film

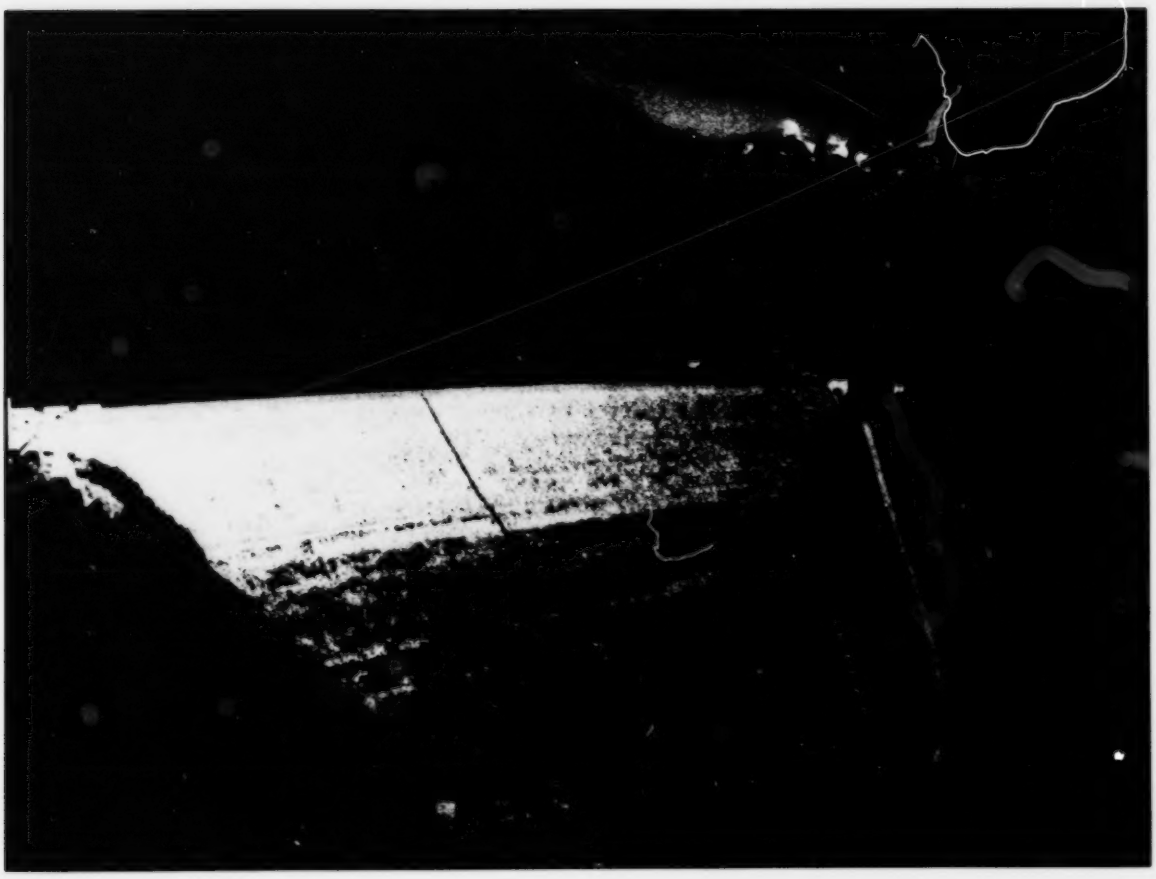


LOOKING TO THE FUTURE

As competition for international projects increases worldwide, OIC is constantly developing new strategies to help Ontario increase its share of the lucrative international market for capital projects and training services.

Let us work together for Ontario.

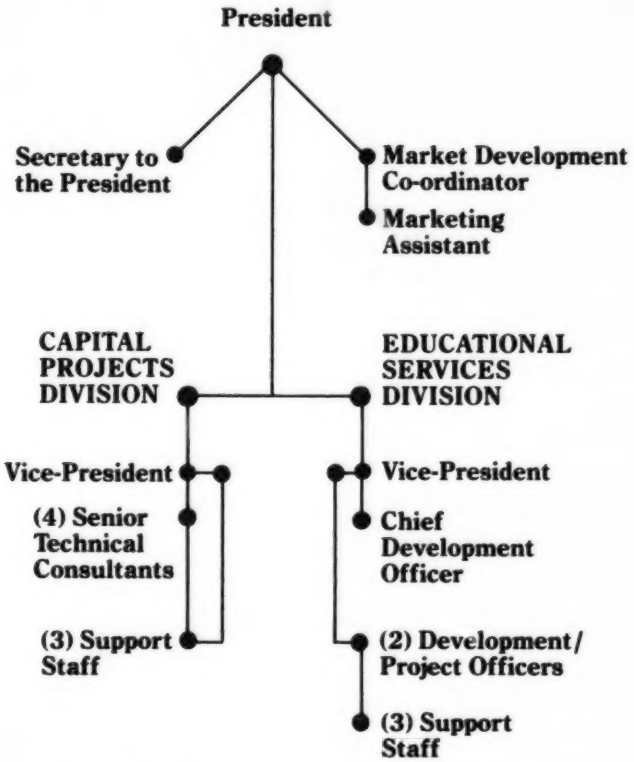
K.A. Littzen
President



THE ORGANIZATION

CHAIRMAN OF THE BOARD

OFFICE OF THE PRESIDENT



PLUS:

- **1 Technical Expert** seconded from the Ontario Ministry of the Environment
- **1 Consultant (part time)** located at Ontario House in London, England

FINANCIAL STATEMENTS

BALANCE SHEET
AS AT MARCH 31, 1985

	$
Assets	
Cash and short term investments	
• general fund	509,438
• trust fund	27,808
Accounts receivable and accrued interest	140,640
Contracts in process	255,576
Total assets	933,462
Liabilities	
Accounts payable and accrued liabilities	225,786
Trust fund (note 4)	27,808
Unearned revenue (note 5)	545,654
Total liabilities	799,248
Equity	
Retained income	54,290
Contribution from the Province of Ontario (note 1)	79,924
	134,214
Total liabilities and equity	933,462

See accompanying notes to financial statement.

On behalf of the Corporation:

Chairman

President

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED
MARCH 31, 1985

	$	$
Contract revenue		364,740
Contract expenditure		333,912
Net contract revenue		30,828
Administrative Expenses (note 3)		
Salaries and benefits	904,340	
Transportation and communication	306,633	
Services	281,506	
Supplies and equipment	114,414	1,606,893
Loss from operations		1,576,065
Other income		23,462
Recovery from the Province of Ontario		1,606,893
		1,630,355
Net income for the year and retained income		54,290

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1985

1. Background and Amalgamation

The Ontario International Corporation was constituted on June 16, 1980 by Ontario Regulation 241 pursuant to Section 5 of the Development Corporations Act. The Corporation was established without share capital.

Order in Council 400/84 dated February 16, 1984 directed the transfer of all assets and liabilities of the Ontario Educational Services Corporation to the Corporation.

This transfer was accounted for using book values as at March 31, 1984, with minor adjustments to reflect the accounting policies followed by the Corporation. Total assets acquired were $1,024,402 and total liabilities assumed were $999,478. As no consideration was paid for the net assets, the difference of $79,924 has been accounted for as a contribution from the Province of Ontario.

Effective March 1, 1984 Regulation 241 was revised to expand the original objectives of the Corporation to include those of the Ontario Educational Services Corporation. The objectives of the Corporation now include developing and promoting the export of Ontario goods and services on a competitive basis in domestic and international markets; the study, promotion and assistance of Ontario's educational and training resources for use in the international marketplace, as well as the provision of educational and training services to the private and public sectors, both domestic and international.

2. Significant Accounting Policies

A. Basis of accounting.

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles except for fixed assets which are expensed when purchased, and administrative expenses which are recognized on a cash basis modified to allow an additional 24 days to pay for goods and services pertaining to the fiscal year just ended. In this regard, payments to employees for the pay period which overlaps the fiscal year and are prorated between the two years.

B. Contract revenue recognition

The percentage of completion method is used when the degree of completion of a contract can be objectively determined and related expenses can be reasonably estimated. When this is not possible, the revenue is recognized upon completion of the contract.

C. Contracts in process

Contracts in process are valued at the lower of cost and net realizable value. Cost consists primarily of payments made to subcontractors and suppliers for services rendered and expenditures incurred under the contracts. Payroll and other operating costs of the Corporation are excluded on the basis that they are largely administrative costs and are not normally recoverable under the terms of the contracts.

D. Comparative figures

This is the first operating year of the amalgamated Corporation. Comparative figures have not been presented as the comparison would not be meaningful.

3. Administrative Expenses

Administrative expenses are paid by the Ministry of Industry, Trade and Technology out of moneys appropriated therefor by the Legislature of the Province of Ontario.

4. Trust Funds

The Corporation administers trust funds on behalf of the Ministry of Education of Oman for payment of all approved educational, living and related miscellaneous expenses of Omani students attending various Ontario universities and colleges.

5. Unearned Revenue

Under the terms of agreements with various foreign governments, amounts totalling $545,654 have been received for services not yet provided. Consequently, this amount has not been recognized as revenue.

6. Sunset Clause

In accordance with section 18 of Ontario Regulation 241, revised on March 1, 1984, the Corporation terminates on March 1, 1989 unless extended as a result of its sunset review.

Ontario

Office of the
Provincial
Auditor

Parliament Buildings
Queen's Park
Toronto, Ontario
M7A 1A2
416 965-1381

To the Ontario International Corporation and
to the Minister of Industry, Trade and Technology.

I have examined the balance sheet of the Ontario International Corporation as at March 31, 1985 and the statement of operations for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1985 and the results of its operations for the year then ended in accordance with the accounting policies described in note 2 to the financial statements applied on a basis consistent with that of the preceding year.

A report on the audit has been made to the Corporation and to the Minister of Industry, Trade and Technology.

D.F. Archer

Toronto, Ontario,
June 27, 1985.

D.F. Archer, F.C.A.,
Provincial Auditor.

BOARD OF DIRECTORS

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Assistant Deputy Minister
Ministry of Education
Toronto

Robert R. Gulliford
Vice-President
International Banking
The Royal Bank of Canada
Toronto

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Clifford, Lawrie, Bolton, Ritchie
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Morrison, Lamothe Incorporated
Ottawa

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President
Fodor Engineering Limited
Don Mills

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President and Managing Director
Genaire Limited
St. Catharines

John Wilson
Manager—International Sales
Canadian General Electric Co. Ltd.
Toronto

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Chairman of the Board
Ontario International Corporation
Toronto

Donald D.C. McGeachy
Business Consultant
London

James MacLaren
Consulting Engineer
James W. MacLaren
Toronto